

State Employee Benefits Committee
Monday, September 23, 2013 at 2:00 p.m.
Haslet Armory, Room 133
Dover, Delaware

The State Employee Benefits Committee met on September 23, 2013, at the Haslet Armory, Room 133, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Casey Oravez, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Lois Houston, OMB, SBO
Dawn Davis, OMB, SBO
Rebecca Reichardt, OMB
Stuart Wohl, Segal
Vanessa Hatch, Segal
Jenifer Vaughn, Office of the Insurance
Commissioner
Kimberly Reinagel-Nietubicz, Office of the
Controller General
Valerie Watson, Department of Finance
Henry Smith, DHSS
Mary Cooke, SEBAC/DOE
Bob Willard, Department of Justice
David Craik, Pension Office
Chip Flowers, Treasurer
Kelly Callahan, Office of the Treasury

Karin Faulhaber, PHRST
Jennifer Ward, Highmark BCBS DE
Jackie Rhoads, Highmark BCBS DE
Julie Caynor, Aetna
Joe Morocco, HMS
Charie Babcock, Express Scripts
Matt Bradley, Express Scripts
Franco Cognata, Novo Nordisk
Diana Reed, Novo Nordisk
Hollie Ford, City of Dover
Katie Heffington, City of Dover
Cynthia Angermeier, DSEA-R
Karol Powers-Case, DRSPA
Sandy Richards, AFSCME-R
Richard Phillips, DSEA-R
James Harrison, DSEA-R
James Testerman, DSEA-R
David Leiter, DHSS
Andrea Godfrey, OMB

Introductions/Sign In

Director Visalli called the meeting to order at 2:00 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the June 21, 2013 SEBC meeting. Jenifer Vaughn made the motion and Valerie Watson seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

It was reported that there was very little change in medical enrollment during Open Enrollment. There was a slight increase in the CDH Gold Plans. The enrollment in Eye Med has increased by 7%. This is a 21% increase since the plan was added in July of 2011.

Medicare Part D Open Enrollment takes place October 14 – 25, 2013. Letters have been sent from the Office of Pensions and additional information will be sent out to all currently enrolled Medicare Part D pensioners from Express Scripts the first week in October. Retirees already enrolled do not need to take action. The only change will be to the premium cost.

Open Enrollment for the Flexible Spending Account program takes place November 4 - 26, 2013. Postcards will be mailed out to all eligible employees in mid-October.

Ms. Lakeman mentioned that the disability contract with the Harford expires June 30, 2014, so the bid and Request for Proposal process will begin in the near future.

Group Health Financials – handouts for each

Ms. Oravez reviewed and discussed the June, July and August 2013 Fund and Equity Reports. The health fund balance for the end of June was reported at \$29.8M. This number has increased due to pharmacy rebates. The balance decreased to \$21.5 because of five weeks of Highmark claims in July. The balance further decreased to \$20.6M in September as a result of an update to the claim liability.

Mr. Wohl reviewed the FY 13 Financial Reporting. It was reported that the combined grand total for medical premiums is \$446.1M, medical claims and expenses total \$446.6M for a loss of \$500,000. Prescription premiums total were at a loss of \$2.3M. The plan experienced a combined overall deficit of \$6.6M. Aetna plans experienced a total surplus of \$3.9M for FY 13 with Highmark plans seeing a total deficit of \$10.6M. Charts and graphs showing the experience of each plan and plans combined were explained. Mr. Wohl commented that 25% of the plan cost is attributed to prescription drugs. On average the cost per employee and pensioner is approximately \$9,300 per year.

COBRA Request for Proposal Contract Award Recommendation - handout

Concerning the COBRA/HIPAA Request for Proposal, (RFP) there were four bids received. Requirements from the Department of Technology and Information (DTI) extended the review period and as a result one of the bids was disqualified. It was determined that Ceridian received the highest number of points based on the individual and independent scoring of each Proposal Review Committee (PRC) member in accordance with the criteria outlined in the RFP. Strengths of Ceridian include:

- The organization's proven ability to provide the services required;
- Proven ability to provide secure on-line remote access for benefit representatives;
- Demonstrated ability to provide excellent account management and customer service;
- Experience with clients of similar size and structure; and
- Reasonable cost.

The contract award for COBRA/HIPAA Administration Services to Ceridian is contingent upon the fulfillment of the technology terms and conditions as required by DTI. If Ceridian cannot satisfy the required terms and conditions the PRC recommends that the contract be awarded to the second ranked vendor, CONEXIS.

Treasurer Flowers asked why they wouldn't rebid in this situation and Ms. Rentz explained that all three vendors were qualified and because the contract needs to be in place effective January 1, 2014, there is not time to rebid. SEBC vote will be held after Public Comment at the end of the meeting.

Express Scripts 2014 Formulary Overview - handout

Ms. Charie Babcock of Express Scripts explained that each year a clinical evaluation of the drug formulary is conducted by doctors and pharmacists to ensure sufficient representation in all therapeutic classes. The goal is to focus on clinical value and managing drug trend and to determine the most appropriate status for brand products.

State of DE employees and non-Medicare pensioners are currently following the National Preferred Formulary (NPF) through Express Scripts. It was explained that effective January 1, 2014 there will be 48 drugs (1%) excluded from coverage on the NPF – 4100 drugs remain on formulary. The committee has the option of adopting either the NPF or a Basic Formulary option for January 1, 2014. The Basic Formulary option will have 89 drugs shift from Preferred to Non-

Preferred status but no drugs will be excluded. With either option, Express Scripts plans to provide detailed communications to all members and allow time to talk to physicians for any necessary changes. There exception process that will apply should members and their physician feel that a non preferred or excluded drug is necessary. Ms. Lakeman pointed out that there is no change to the Medicare Part D formulary for Pensioners over 65.

Ms. Lakeman reviewed the 2014 Express Scripts Formulary recommendations with the group. A brief power point presentation explained the formulary options and financial impacts for both options. It is recommended that the Committee adopt the Basic Formulary effective January 1, 2014 because no drugs will be excluded. There is an estimated 2,901 members impacted by the formulary changes. Changing to the Basic Formulary allows time for members to consider alternative drug options. The financial impact to the Group Health Plan is estimated to be \$1.8M reduction in prescription rebates for the second half of FY14.

Effective July 1, 2014, it is recommended that the Committee adopt or revert back to the National Preferred Formulary. An intense communication plan beginning October 2013 through Open Enrollment will target approximately 4,492 impacted members. The exception review process will be communicated. Additional prescription rebate savings in FY 15 are estimated to be between \$2.5M and \$3.0M. Claim cost savings will be approximately \$1.5M to \$1.8M. SEBC vote will be held after Public Comment at the end of the meeting.

Health Care Reform Update

Notices about the Affordable Care Act went out to employees in early September. There are no changes to our plan for full-time and part-time employees. State share is based on job status. The letters provided information about the Market Place which opens for enrollment to the public on October 1, 2013. Casual/Seasonal employees are not eligible for state coverage and may visit the Market Place to purchase medical insurance. The Statewide Benefits Office is fielding questions. Retirees did not receive the notice unless employed as a casual/seasonal employee. Director Visalli emphasized that no action is required for those that are enrolled in medical through the state but that you may know someone who is interested and eligible to enroll.

SEBAC Comment

SEBAC supports the Statewide Benefits Office's recommendation to change to the Express Script's Basic Formulary for State of DE active employees and non-Medicare Pensioners for the remainder of FY14 as this will allow employees and pensioners time to work with their physicians to identify their alternatives.

Given the increased costs to the State under the Express Script's Basic Formulary and the potential of significant financial impact on the state employees and pensioners in either increased premiums or co-pays should the State stay with the Express Script's Basic Formulary beyond FY14, SEBAC supports changing to the National Preferred Formulary as of July 1, 2014.

Public Comment

Mr. Phillips, DSEA-R, appreciates the continuation of credit monitoring with Experian. He asked if there was an idea of when letters will start to go out about the prescription changes. Ms. Babcock, ESI, ensured that a schedule will be worked out and communication would begin soon. Mr. Phillips expressed his concern about calls he has received from substitutes who are required to work 29.5 hours or less per week so that they are considered casual/seasonal and not eligible for benefits. Ms. Lakeman explained the rules for the Affordable Care Act in which the employer must provide benefits to 95% of their full time workforce or pay a penalty.

Ms. Powers-Case, DRSPA, agrees with SEBAC's comment.

Mr. Leiter, DHSS, agrees with SEBAC's comment. He also asked if drug cost is going up because DelaWELL has made employees more aware of their health risks. Director Visalli explained that employees are encouraged to use generic medication instead of non-preferred brand medication. This should decrease cost to employees and the state. Employees discovering their health risks, visiting their doctor's office and taking their prescribed medication should help keep hospital and emergency visits to a minimum.

Motions

Director Visalli asked for a motion to approve the COBRA Request for Proposal Contract Award to Ceridian. Mr. Smith made the motion with Ms. Vaughn seconding the motion. The motion passed with a unanimous voice approval.

Ms. Lakeman asked for a motion to change to the Basic Formulary effective January 1, 2014 and revert back to the Non-Preferred Formulary effective July 1, 2014. Treasurer Flowers made the motion with Mr. Smith seconding the motion. The motion passed with a unanimous voice approval.

Other Business

None.

Director Visalli requested a motion to adjourn. Mr. Smith made the motion and Treasurer Flowers seconded the motion. Upon unanimous voice approval, the meeting ended at 3:05 p.m.

Respectfully submitted,

Dawn M. Davis
Executive Secretary
Statewide Benefits Office, OMB